



SENATE BILL 107: Tax of Improved Prop. in Roadway Corridors

2011-2012 General Assembly

Committee:	Senate Finance	Date:	March 21, 2011
Introduced by:	Sens. Brunstetter, Garrou	Prepared by:	Cindy Avrette
Analysis of:	PCS to First Edition		Committee Counsel
	S107-CSRB-15		

SUMMARY: *Senate Bill 107 would reduce the property tax owed on improved property inside a roadway corridor. Unimproved property inside a roadway corridor is already taxed at a reduced value. The Proposed Committee Substitute sunsets the provision in 10 years.*

CURRENT LAW: Article V, Sec. 2(2) of the North Carolina Constitution grants the General Assembly the power to classify property for taxation. That power must be exercised on a State-wide basis, by uniform rule, in a general law uniformly applicable in every unit of local government. In 1987, the General Assembly classified unimproved property in a transportation corridor marked on an official map as a special class of property and provided that it would be taxable at 20% of its appraised value.

A transportation corridor map may be adopted by the governing body of a local government as part of a comprehensive plan for streets and highways or by the Department of Transportation for part of the State highway system. Once a transportation corridor official map is filed with the register of deed, no building permit may be issued for any building or structure on the property for up to three years.¹ If a building or structure exists on the property at the time the map is recorded, a permit may be issued provided the size of the building or structure is not increased.

There is no limit on how long the filer of a transportation corridor map may keep a proposed route on a map without purchasing the property. A property owner may petition the filer of the map for acquisition of the property due to an undue hardship on the affected property owner.² There are many proposed routes in the Transportation Improvement Plan and local transportation plans. Although a proposed route does not prevent the sale of the property, it does affect its salability because lenders and purchasers may not want to purchase property that may eventually be part of a highway corridor.

BILL ANALYSIS: Senate Bill 107 would classify improved property within a transportation corridor marked on an official map as a special class of property and provide that it would be taxable at 50% of its appraised value. The proposed committee substitute would sunset this property tax reduction in 10 years. The Department of Transportation's ability to purchase property in recent years has been hampered by fiscal constraints. This constraint has placed a hardship on some property owners located in a transportation corridor. The reduction in the property tax assessment is one way to ease the financial burden on the property owners. However, the reduction in the property's tax value reduces the property tax revenue available to the counties in which these corridors lie. The counties most affected are the larger ones and some of the smaller counties adjacent to them. The sunset would give the General Assembly an opportunity to review the policy in the future.

EFFECTIVE DATE: The bill would become effective for taxes imposed for taxable years beginning on or after July 1, 2011.

¹ G.S. 136-44.51.

² G.S. 136-44.53. In the last nine years, 684 hardship advance acquisition requests in protected corridors have been received with approximately 500 receiving approval. Most hardship requests are related to financial or medical difficulties.

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BACKGROUND: The Department of Transportation has used the corridor protection review program since 1989. The purpose of the program is to promote greater public knowledge of a project, to help prevent uninformed buying of property within the corridor, and to prevent development in a corridor thus reducing the cost of purchasing possible rights-of-ways. Twenty-four corridors are currently recorded. Acquisitions are complete in five corridors and the process has begun in 12 others. Seven corridors have map protection only. Of those seven, it is my understanding that two are under consideration for the acquisition process to begin.³

In the fall of 2010, the Department implemented some changes to its current corridor protection review program:

- Proposed evaluation of each protected corridor every 10 years to ensure the protected corridor remains valid.
- Established criteria to be used in determining whether a corridor official map should be filed.
- Established a Department Roadway Corridor Official Map Committee to oversee the corridor official map process.
- Made corridor protection less restrictive for property owners by setting a timeline to respond to requests for hardship acquisitions and by allowing more flexibility with permits for variance.

Giles Perry, counsel to the Transportation Committee, contributed to this summary. Information also obtained from the Department of Transportation.

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³ US 1 Rockingham/Hamlet and Asheboro Bypass.